

## Report of Independent Auditors

The Commissioners  
Missouri Housing Trust Fund

We have audited the accompanying balance sheets as of June 30, 1999 and 1998, and statements of revenues and expenses and changes in fund balance for the years then ended of the Missouri Housing Trust Fund. These financial statements are the responsibility of the Missouri Housing Trust Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The year 2000 supplementary information on page 5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB), and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because disclosure criteria specified by GASB Technical Bulletin No. 98-1 as amended are not sufficiently specific to permit us to perform procedures that the Missouri Housing Trust Fund is or will become year 2000 compliant, that the Missouri Housing Trust Fund's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Missouri Housing Trust Fund does business are or will become year 2000 compliant.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Missouri Housing Trust Fund at June 30, 1999 and 1998, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

*Ernst & Young LLP*

August 31, 1999

# Missouri Housing Trust Fund

## Balance Sheets

	<b>June 30</b>	
	<b>1999</b>	<b>1998</b>
	<i>(In Thousands)</i>	
<b>Assets</b>		
U.S. government and agency securities	<b>\$5,323</b>	\$5,768
Mortgage loans	<b>492</b>	—
Accrued interest receivable	<b>82</b>	11
Property and equipment	<b>4</b>	4
Total assets	<b>\$5,901</b>	<b>\$5,783</b>
<b>Liabilities and fund balance</b>		
Accounts payable	<b>\$ 38</b>	\$ —
Fund balance – restricted by state statute	<b>5,863</b>	5,783
Total liabilities and fund balance	<b>\$5,901</b>	<b>\$5,783</b>

*See accompanying notes.*

Missouri Housing Trust Fund

Statements of Revenues and Expenses and  
Changes in Fund Balance

	<b>Year ended June 30</b>	
	<b>1999</b>	<b>1998</b>
	<i>(In Thousands)</i>	
Revenues:		
Recording fees	<b>\$4,031</b>	\$3,750
Interest income	<b>343</b>	285
Total revenues	<b>4,374</b>	4,035
Expenses:		
Trust Fund grants	<b>4,213</b>	3,217
Administrative expenses	<b>81</b>	78
Total expenses	<b>4,294</b>	3,295
Excess of revenues over expenses	<b>80</b>	740
Fund balance, beginning of year	<b>5,783</b>	5,043
Fund balance, end of year	<b>\$5,863</b>	\$5,783

*See accompanying notes.*

# Missouri Housing Trust Fund

## Notes to Financial Statements

June 30, 1998 and 1997

### **1. Summary of Significant Accounting Policies**

The Missouri Housing Trust Fund (the Trust Fund) was created by Section 215.035 of the Missouri statutes and is authorized to financially assist, by loans or grants, the development of housing stock and to provide housing assistance to persons and families with incomes at or below specified levels.

The following is a summary of the more significant accounting policies of the Trust Fund.

#### **Basis of Accounting**

The Trust Fund maintains its financial records on the accrual basis of accounting. Pursuant to the requirements of the Governmental Accounting Standards Board, the Trust Fund's financial activities are included in the financial statements of the Missouri Housing Development Commission (the Commission).

#### **Investments**

Investments include U.S. government and agency securities and are reported at fair value as determined by the investment custodians utilizing prices quoted by securities dealers or brokers, investment bankers or statistical services on the valuation date.

At June 30, 1999 and 1998, these securities were insured or registered in the Commission's name.

### **2. Revenue from the State of Missouri**

In accordance with Section 215.035 of the Missouri statutes, the state of Missouri distributes to the Trust Fund a \$3 recording fee collected by the Missouri State Recorder's Office for each real estate related document filing.

### **3. Administrative Expenses**

The Trust Fund reimburses the Commission for administrative costs not to exceed 2% of Trust Fund revenues.

### **4. Commitments**

At June 30, 1999, the Trust Fund had outstanding program commitments of \$752,000. These commitments represent Trust Fund grants which were approved prior to June 30, 1999 for which disbursement will be made in the subsequent fiscal year.

## Required Supplementary Information

## Missouri Housing Development Commission

### Required Supplementary Information

#### Year 2000 Impact

The year 2000 impact relates to how an abundance of electronically controlled devices, including computers and computer programs, may not operate correctly or even may not operate at all. This is due to the way in which programmers and computer chip manufacturers used dates in programming electronic devices. For example, it is often customary for a person in everyday conversation and in writing to use two digits when referencing a year (i.e., the class of '98, the date is 05-23-98 or May 23, 98, etc.). Many electronic devices were programmed much the same way, referencing only the last two digits of the year. As you can imagine, this can cause a problem in deciding if the year 00 is 1900 or 2000.

The Commission has aggressively responded to this issue to see that the Commission-owned information technology, including computers, network electronics and computer programs, will function properly beyond 1999. The Commission has established a *Year 2000 Report and Plan* that identifies issues, provides solutions and identifies specific components that could be affected by the year 2000 issue. The plan which has been made available to the public by request and through the Commission's Web site also provides a year 2000 disclosure statement. The Commission has continued to update its report following a schedule of steps that have been identified as necessary stages to implement a year 2000 compliant system:

- **Awareness Stage:** The Commission has established a budget and project plan.
- **Assessment Stage:** The Commission has identified all of its systems and prepared an inventory.
- **Remediation Stage:** The Commission actually made changes to systems and evaluated the technical issues of converting existing systems or switching to compliant systems.
- **Validation/Testing Stage:** The Commission began evaluating and testing the systems that were converted or replaced.
- **Implementation Stage:** The Commission's year 2000 compliant systems were ready for use.
- **Contingency Planning Stage:** The Commission has established a documented Y2K Contingency Plan.

The Commission has been through each of the steps on the identified systems that the Commission's Management Information Systems administer. The Commission has also established a Disaster and Y2K Contingency Plan.

Missouri Housing Development Commission  
Required Supplementary Information (continued)

Year 2000 Impact

The Commission has recently completed significant upgrades in its information technology to be ready for the year 2000. Some of the major accomplishments completed as of September 1999 include, but are not limited to:

- Placing in service new Year 2000 compliant network servers, network electronics and software
- Placing in service new Year 2000 compliant PC workstations and productivity software
- Upgrades or replacement to business critical applications for Year 2000 compliance
- Year 2000 compliance testing and upgrading
- Evaluating business partners status on Year 2000 compliance

The Commission has committed itself to provide quick and responsive solutions in the event of any unforeseen internal or external Year 2000 related abnormalities. The Commission is confident that its information technology will be a strong performer in the new millennium.